

Portage District Library

Financial Statements

Year Ended December 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|---|---------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Portage District Library | County Kalamazoo |
| Fiscal Year End 12/31/07 | Opinion Date 4/14/08 | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

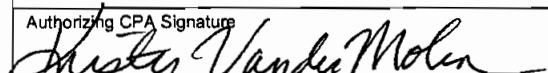
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) BDO Seidman, LLP | | Telephone Number 269/382-0170 | |
| Street Address 211 East Water Street, Suite 300 | | City Kalamazoo | State MI |
| | | Zip 49007 | |
| Authorizing CPA Signature  | | Printed Name Kristy A. VanderMolen | License Number 1101020549 |

Portage District Library

Contents

| | |
|--|-----------|
| Library Board | 1 |
| Independent Auditors' Report | 2 |
| Management's Discussion and Analysis | 3 - 8 |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 9 |
| Statement of Activities | 10 |
| Fund Financial Statements: | |
| <i>Governmental Fund:</i> | |
| Balance Sheet | 11 |
| Reconciliation of Fund Balance of Governmental Fund to the Net Assets of Governmental Activities on the Statement of Net Assets | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 13 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to Statement of Activities | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 15 |
| Notes to Financial Statements | 16 - 24 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 25 and 26 |

Portage District Library

Library Board

**Stephen Rodia
Chairperson**

**Clifford Sacks
Vice Chairperson**

Laurie DeHaven

Betty Lee Ongley

Scott Pierangeli

Samuel Stoneburner

Timothy Wenzel



BDO Seidman, LLP
Accountants and Consultants

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Kalamazoo, Michigan 49007
Telephone: (269) 382-0170
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Independent Auditors' Report

Library Board
Portage District Library
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Portage District Library (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Library, as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 8 are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BDO Seidman, LLP

Certified Public Accountants

April 14, 2008

Portage District Library

Management's Discussion and Analysis

This section of the Portage District Library's (the Library's) annual financial report presents our discussion and analysis of the Library's financial performance during the year ended December 31, 2007. Please read it in conjunction with the Library's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader understands the Library's finances as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Library as a Whole – Government-Wide Financial Statements

One of the most important questions asked about the Library is, "As a whole, what is the Library's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Library's financial statements, report information on the Library as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Library's net assets--the difference between assets and liabilities, as reported in the Statement of Net Assets--as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net assets, as reported in the Statement of Activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's purpose is to provide library services to the residents of the district, not to generate profits as commercial entities.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Library, which encompass all of the Library's services. Property taxes finance most of these activities.

Reporting the Library's Fund Financial Statements

The Library's fund financial statements provide detailed information about the operating fund - not the Library as a whole. The Library, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The governmental fund of the Library uses the following accounting approach:

Portage District Library

Management's Discussion and Analysis (Continued)

Accounting Approach

Governmental fund - All of the Library's services are reported in the governmental fund. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances remaining at year-end that are available for spending. They are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Library and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's operations. We describe the differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds in a reconciliation.

The Library as a Whole

Recall that the Statement of Net Assets provided a perspective of the Library as a whole. The following provides a summary of the Library's net assets as of December 31, 2007.

| <i>December 31,</i> | <i>Governmental Activities</i> | |
|---|--------------------------------|---------------------|
| | <i>2007</i> | <i>2006</i> |
| Assets: | | |
| Current and other assets | \$ 4,444,107 | \$ 4,235,839 |
| Capital assets, net of accumulated depreciation | 3,430,325 | 3,531,743 |
| Total Assets | 7,874,432 | 7,767,582 |
| Liabilities: | | |
| Current liabilities | 289,243 | 218,223 |
| Long-term liabilities | 1,454,883 | 1,822,965 |
| Total Liabilities | 1,744,126 | 2,041,188 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 1,921,650 | 1,850,648 |
| Unrestricted | 4,208,656 | 3,875,746 |
| Total Net Assets | \$ 6,130,306 | \$ 5,726,394 |

The above analysis focuses on the net assets. The change in net assets of the Library's governmental activities is discussed below. The Library's net assets were \$6,130,306 at December 31, 2007. Capital assets, net of related debt totaling \$1,921,650, compares the original cost, less depreciation of the Library's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service becomes due. The remaining amount of net assets of \$4,208,656 was unrestricted.

Portage District Library

Management's Discussion and Analysis (Continued)

The \$4,208,656 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Library to meet working capital and cash flow requirements as well as to provide for future uncertainty.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities, which shows the changes in net assets for 2007 and 2006.

| <i>Year ended December 31,</i> | <i>Governmental Activities</i> | |
|-----------------------------------|--------------------------------|-------------------|
| | <i>2007</i> | <i>2006</i> |
| Revenue: | | |
| Program revenue: | | |
| Charges for services | \$ 218,855 | \$ 211,336 |
| Other operating grants | 78,488 | 79,155 |
| General revenue: | | |
| Property taxes | 3,320,465 | 3,100,833 |
| Interest | 118,333 | 95,874 |
| Other | 11,859 | 10,225 |
| Total Revenue | 3,748,000 | 3,497,423 |
| Function/Program Expenses: | | |
| Recreation and culture | 3,255,809 | 3,058,340 |
| Interest and fiscal charges | 88,279 | 96,178 |
| Total Expenses | 3,344,088 | 3,154,518 |
| Increase in Net Assets | \$ 403,912 | \$ 342,905 |

As reported in the Statement of Activities, the cost of all of the Library's activities this year was \$3,344,088. Certain activities were partially funded from those who benefited from the operations through charges for services of \$218,855 or by other governments and organizations that subsidized certain programs with grants and contributions of \$78,488. We paid for the remaining "public benefit" portion of the Library's activities with tax revenue and other revenues such as interest and state shared revenue totaling \$3,450,657.

The Library experienced an increase in net assets of \$403,912.

As discussed above, the net cost shows the financial burden placed on the state and the Library's taxpayers by each of these functions. Since property taxes constitute the vast majority of the Library's operating revenue sources, the board and management must annually evaluate the needs of the Library and balance those needs with ongoing obligations to citizens and creditors.

Portage District Library

Management's Discussion and Analysis (Continued)

The Library's Governmental Fund

As we noted earlier, the Library uses a fund to help it control and manage money for particular purposes. Looking at the fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

As the Library completed this year, the governmental fund reported a fund balance of \$4,306,072, which is an increase of \$348,377 from last year. The primary reason for this increase is the timing of tax collections in relation to the Library's fiscal year accompanied with the increase in the amount of property taxes expected to be collected from the taxes levied in December of 2007. Interest income was earned at a higher rate than the prior year. This resulted in an increase of \$22,455, of interest income from 2006. There were additional small savings in many areas that when taken collectively, added an additional \$150,518 to the fund balance.

General Fund Budgetary Highlights

Over the course of the year, the Library revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared to amounts actually paid and received is provided in the basic financial statements.

Budgeted revenues were increased by \$36,326, primarily due to donations received in excess of planned amounts.

Budgeted expenditures were increased by \$340,298, due to several factors. The main factor is for the inclusion of prior year encumbrances into the budget. The second reason is the increase of expense accounts associated with donations received.

Total actual revenues exceeded the final budget by \$251,214. This variance was due to a higher than anticipated collection of property taxes, penal fines, donation revenue, and interest income during the year.

Actual amounts of expenditures reported for recreation and culture were \$393,365 under our final amended budget. This variance was due mainly to encumbrances of \$242,846 as of year-end and small savings in many areas associated with efficient purchasing of materials and services.

Portage District Library

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2007, the Library had \$3,430,325 invested in capital lease assets and capital assets, including land, land improvements, building, building improvements, equipment, and furniture and fixtures. This amount represents a net decrease (including additions, disposals, and depreciation) of \$101,418 or 2.8% from last year.

| <i>December 31,</i> | <i>2007</i> | <i>2006</i> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 30,000 | \$ 30,000 |
| Capital lease assets | 4,403,994 | 4,403,994 |
| Capital assets | 1,487,419 | 1,338,147 |
| | 5,921,413 | 5,772,141 |
| Less accumulated depreciation | 2,491,088 | 2,240,398 |
| Net Capital Assets | \$ 3,430,325 | \$ 3,531,743 |

The majority of this year's additions of \$149,272 include the remodeling of the Adult Atrium and VMWare computer equipment and installation. Additional information on the Library's capital assets can be found in Note 5 on Page 22 of this report.

Debt

At the end of this year, the Library had \$1,508,675 in bonds outstanding versus \$1,681,095 in the previous year (a decrease of 10%). Additional information on the Library's debt can be found in Note 6 on Page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

The Library Board and management consider many factors when setting the Library's 2008 budget. One of the most important factors affecting the budget is the estimated amount of property tax revenue. The 2008 budget was adopted in August, 2007, based on property taxes levied in November, 2007. Approximately 90% of total General Fund revenue is from property taxes. Under state law, the Library cannot assess additional property tax revenue for general operations. As a result, the Library funding is heavily dependent on the collection of property taxes.

Portage District Library

Management's Discussion and Analysis (Concluded)

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the funds received. If you have questions about this report or need additional information, contact:

Business Office
Portage District Library
300 Library Lane
Portage, Michigan 49002

Portage District Library

Government-Wide Financial Statements Statement of Net Assets

| <i>December 31, 2007</i> | <i>Governmental Activities</i> |
|--|------------------------------------|
| Assets | |
| Current Assets: | |
| Cash (Note 4) | \$ 72,118 |
| Investments (Note 4) | 2,228,074 |
| Receivables - Property taxes | 2,143,581 |
| Beneficial interest (Note 8) | 334 |
| Capital assets, net of accumulated depreciation (Note 5) | 3,430,325 |
| Total Assets | \$ 7,874,432 |
| Liabilities and Net Assets | |
| Current Liabilities: | |
| Accounts payable - Trade | \$ 37,815 |
| Accrued wages | 49,008 |
| Noncurrent liabilities (Note 6): | |
| Due within one year | 202,420 |
| Due in more than one year | 1,454,883 |
| Total Liabilities | 1,744,126 |
| Net Assets: | |
| Invested in capital assets, net of related debt | 1,921,650 |
| Unrestricted | 4,208,656 |
| Total Net Assets | 6,130,306 |
| Total Liabilities and Net Assets | \$ 7,874,432 |

*See accompanying independent auditors' report and
notes to financial statements.*

Portage District Library

Government-Wide Financial Statements Statement of Activities

| | | <i>Program Revenues</i> | | <i>Governmental Activities</i> |
|--|---------------------|-----------------------------|---|--|
| <i>Year ended December 31, 2007</i> | <i>Expenses</i> | <i>Charges for Services</i> | <i>Operating Grants and Contributions</i> | <i>Net (Expense) Revenue and Changes in Net Assets</i> |
| Function/Program - | | | | |
| Governmental activities: | | | | |
| Recreation and culture | \$ 3,255,809 | \$ 218,855 | \$ 78,488 | \$ (2,958,466) |
| Interest and fiscal charges | 88,279 | - | - | (88,279) |
| Total Governmental Activities | \$ 3,344,088 | \$ 218,855 | \$ 78,488 | (3,046,745) |
| General Revenues: | | | | |
| Property taxes | | | | 3,320,465 |
| Interest | | | | 118,329 |
| Other | | | | 11,859 |
| Total General Revenues | | | | 3,450,653 |
| Increase in Net Assets | | | | 403,908 |
| Change in Assets Held by the Kalamazoo Community Foundation | | | | 4 |
| Net Assets, beginning of year | | | | 5,726,394 |
| Net Assets, end of year | | | | \$ 6,130,306 |

See accompanying independent auditors' report and notes to financial statements.

Portage District Library

Governmental Fund Balance Sheet

December 31, 2007

General Fund

Assets:

| | |
|------------------------------|-----------|
| Cash (Note 4) | \$ 72,118 |
| Investments (Note 4) | 2,228,074 |
| Receivables - Property taxes | 2,092,369 |
| Beneficial interest (Note 8) | 334 |

Total Assets \$ 4,392,895

Liabilities and Fund Balance

Liabilities:

| | |
|--------------------------|-----------|
| Accounts payable - Trade | \$ 37,815 |
| Accrued wages payable | 49,008 |

Total Liabilities 86,823

Fund Balance:

| | |
|--------------------|-----------|
| Reserved: | |
| Encumbrances | 242,846 |
| Endowment | 292 |
| Unreserved: | |
| Designated: | |
| Building reserve | 50,000 |
| General reserve | 449,982 |
| Technology reserve | 200,000 |
| Undesignated | 3,362,952 |

Total Fund Balance 4,306,072

Total Liabilities and Fund Balance \$ 4,392,895

*See accompanying independent auditors' report and
notes to financial statements.*

Portage District Library

Governmental Fund Reconciliation of Fund Balance of Governmental Fund to the Net Assets of Governmental Activities on the Statement of Net Assets

December 31, 2007

Fund balance - Governmental Fund (from Page 11) \$ 4,306,072

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:

| | |
|--------------------------|------------------|
| Capital assets, at cost | 5,921,413 |
| Accumulated depreciation | <u>2,491,088</u> |

Net capital assets 3,430,325

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund. These assets consist of -

| | |
|---------------------------|--------|
| Property taxes receivable | 51,212 |
|---------------------------|--------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund.

Balances are as follows:

| | |
|----------------------|------------------|
| Bonds payable | (1,508,675) |
| Compensated absences | <u>(148,628)</u> |

Net Assets of Governmental Activities \$ 6,130,306

See accompanying independent auditors' report and notes to financial statements.

Portage District Library

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

| <i>Year ended December 31, 2007</i> | <i>General Fund</i> |
|--|---------------------|
| Revenues: | |
| Taxes | \$ 3,329,174 |
| State aid | 39,234 |
| Other | 388,297 |
| Total Revenues | 3,756,705 |
| Expenditures: | |
| Current - | |
| Recreation and culture | 2,888,873 |
| Debt service: | |
| Principal payments | 172,420 |
| Interest and other | 88,279 |
| Capital outlay | 258,760 |
| Total Expenditures | 3,408,332 |
| Increase in Fund Balance | 348,373 |
| Change in Assets Held by the Kalamazoo Community Foundation | 4 |
| Fund Balance, beginning of year | 3,957,695 |
| Fund Balance, end of year | \$ 4,306,072 |

*See accompanying independent auditors' report and
notes to financial statements.*

Portage District Library

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to Statement of Activities

Year ended December 31, 2007

Net change in fund balance - Governmental Fund (from Page 13) \$ 348,377

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense:

| | | |
|----------------------|------------------|-----------|
| Capital outlay | 149,272 | |
| Depreciation expense | <u>(250,690)</u> | (101,418) |

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund -

| | |
|---------------------------|---------|
| Property taxes receivable | (8,709) |
|---------------------------|---------|

Repayment of expenses such as bond and note principal and compensated absences are an expenditure in the governmental fund, but not in the Statement of Activities.

165,662

Change in Net Assets of Governmental Activities \$ 403,912

*See accompanying independent auditors' report and
notes to financial statements.*

Portage District Library

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

| <i>Year ended December 31, 2007</i> | <i>Original Budget</i> | <i>Final Budget</i> | <i>Actual</i> | <i>Positive (Negative)</i> |
|--|----------------------------|-------------------------|---------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 3,211,869 | \$ 3,211,869 | \$ 3,329,174 | \$ 117,305 |
| State Aid | 34,546 | 34,546 | 39,234 | 4,688 |
| Other | 222,750 | 259,076 | 388,297 | 129,221 |
| Total Revenues | 3,469,165 | 3,505,491 | 3,756,705 | 251,214 |
| Expenditures: | | | | |
| Recreation and culture: | | | | |
| Salaries and wages | 1,232,878 | 1,234,928 | 1,234,903 | 25 |
| Fringe benefits | 536,268 | 534,218 | 479,499 | 54,719 |
| Library materials | 470,509 | 559,847 | 431,663 | 128,184 |
| Capital outlay | 127,000 | 292,997 | 258,760 | 34,237 |
| Professional services | 237,772 | 252,994 | 199,310 | 53,684 |
| Building maintenance | 150,225 | 152,975 | 131,419 | 21,556 |
| Supplies | 127,570 | 147,975 | 131,568 | 16,407 |
| Utilities | 115,000 | 115,000 | 99,600 | 15,400 |
| Other charges | 203,478 | 250,064 | 180,911 | 69,153 |
| Total recreation and culture | 3,200,700 | 3,540,998 | 3,147,633 | 393,365 |
| Debt service: | | | | |
| Principal payments | 172,420 | 172,420 | 172,420 | - |
| Interest and other | 88,279 | 88,279 | 88,279 | - |
| Total debt service | 260,699 | 260,699 | 260,699 | - |
| Total Expenditures | 3,461,399 | 3,801,697 | 3,408,332 | 393,365 |
| Increase (Decrease) in Fund Balance | 7,766 | (296,206) | 348,373 | 644,579 |
| Change in Assets Held by the Kalamazoo Community Foundation | - | - | 4 | 4 |
| Fund Balance, beginning of year | 3,957,695 | 3,957,695 | 3,957,695 | - |
| Fund Balance, end of year | \$ 3,965,461 | \$ 3,661,489 | \$ 4,306,072 | \$ 644,583 |

*See accompanying independent auditors' report and
notes to financial statements.*

Portage District Library

Notes to Financial Statements

1. Description of the Portage District Library

Effective March 22, 1998, the Portage District Library (the Library) was established pursuant to Act No. 24 of the Public Acts of 1989. Its purpose is to provide library services to the residents of the district. The Library may also enter into contracts to provide library services to municipalities outside the district. The Library is governed by a Library Board consisting of seven members who are elected by the citizens according to geographic regions.

2. Summary of Significant Accounting Policies

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library's significant accounting policies are described below.

Reporting Entity

The Library is an independent entity with an elected board of directors. The board consists of seven members elected to four-year terms. The board has responsibility and control over all matters affecting the Library, including authority to determine its budget, the power to designate management and primary accountability for fiscal matters. The financial statements of the Library contain all activity for which the Library is financially accountable.

Basis of Presentation

Government-wide financial statements: The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Library. The government-wide financial statements categorize activities as either governmental or business-type. All of the Library's activities are classified as governmental.

The Statement of Activities demonstrates the degree to which the direct expenses related to a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported as general revenues.

Fund financial statements - The fund financial statements provide information about the Library's governmental fund.

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

The governmental fund is used to account for the Library's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the governmental fund of the Library.

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough after to pay liabilities for the current period. The Library considers revenues available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, are recorded only when payment is due.

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 31, department coordinators submit a prioritized expenditure budget report for the fiscal year commencing the following January 1.
- During June and July, the director and business manager develop an operating budget based upon the proposed expenditures and projected revenues for submission to the Library Board in July.
- Library Board work sessions are held in August.

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

Public hearings are conducted by the Library Board during the September Library Board meeting and the final budget is adopted in September.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budget is adopted on a modified accrual basis consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are as originally adopted or as amended by the Library Board during the calendar year. Individual amendments were not material in relation to the original appropriations and were made as permitted by law.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Assets, Liabilities, and Net Assets

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, building, and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$3,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets are included as part of the capitalized value.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

| | |
|------------------------|---------------|
| Building and additions | 10 - 40 Years |
| Equipment | 5 - 10 Years |
| Furniture and fixtures | 5 - 10 Years |

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Compensated Absences - Library employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is 50% vested for employees with 10 or more years of service. Effective January 1, 2001, employees were given the option to participate in a short-term disability plan; therefore, new employees are not eligible to accrue sick hours, only the employees which were vested have the option to continue to accrue sick hours. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Property Taxes - Property taxes are levied on December 1 at all local units at which time the taxes attach as an enforceable lien on the property. The taxes are due February 28 of each year. The Library's portion of the 2007 taxes are collected by the local units and remitted to the Library when it is received. The Library's portion of the 2007 property tax levy, which was based on the rate of 1.49 mills, applied to a total taxable value of real and personal property located in the Library district of \$2,241,231,598 is subject to change due to review and tax tribunal decisions.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at year-end.

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

The budget document presents information by function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by January 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits the Library to amend their budget during the year. Expenditures did not exceed budgeted appropriations.

4. Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also insured by an agency of the United States.

The Library's investment policy complies with the State statutes and has no additional limitations on deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Library's deposits might not be recovered. The Library does not have a policy for mitigating custodial credit risk over deposits. At December 31, 2007, none of the Library's bank balances of \$56,274 were exposed to custodial credit risk.

Investments

State statutes authorize the Library to invest surplus funds in obligations or repurchase agreements of the United States or an agency of the United States, commercial paper, banker's acceptances of the United States banks, obligations of the state of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments.

The Library's investment policy complies with the State statutes and has no additional restrictions that would limit its investment choices.

As of December 31, 2007, the Library had the following investments and maturities:

| <i>Investment Type</i> | <i>Fair Value</i> | <i>Investment Maturities</i> |
|-----------------------------|-------------------|------------------------------|
| | | <i>Less than One Year</i> |
| Institutional Trust Account | \$ 2,228,074 | \$ 2,228,074 |

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

The Institutional Trust Account is a mutual fund comprised of United States Treasury Securities. These accounts are highly liquid and the Library receives daily interest, computed monthly, on the principal of these accounts.

Interest Rate Risk - Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Library's investment policy complies with the State guidelines and seeks to minimize interest rate risk by investing primarily in short-term securities, liquid assets, money market funds or similar investment pools and limiting average maturities. The policy does not place specific limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Because the Institutional Trust Account has a weighted average maturity of approximately 30 days as of December 31, 2007, it is presented as an investment with maturity of less than one year.

Credit Risk – Investments

State statutes limit investments in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and bankers acceptances with U.S. banks. Mutual Funds must be comprised of the above investments.

The Library's investment policy requires investments to be made with prudent judgment as to the safety of invested capital and probable outcome of income.

At December 31, 2007, the Institutional Trust Account has a rating of AAA by Standard and Poor's.

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

5. Capital Assets

Capital asset activity for the year end December 31, 2007, was as follows:

| | <i>Balance December 31, 2006</i> | <i>Additions</i> | <i>Disposals</i> | <i>Balance December 31, 2007</i> |
|---|--|---------------------|------------------|--|
| Capital Lease Assets Not Depreciated - | | | | |
| Land | \$ 30,000 | \$ - | \$ - | \$ 30,000 |
| Capital Lease Assets Depreciated: | | | | |
| Building | 4,047,614 | - | - | 4,047,614 |
| Building improvements | 270,906 | - | - | 270,906 |
| Land improvements | 85,474 | - | - | 85,474 |
| Total Capital Lease Assets at Historical Cost | 4,433,994 | - | - | 4,433,994 |
| Capital Assets Depreciated: | | | | |
| Equipment | 467,657 | 46,119 | - | 513,776 |
| Building improvements | 364,304 | 6,358 | - | 370,662 |
| Furniture and fixtures | 494,966 | 88,795 | - | 583,761 |
| Land improvements | 11,220 | 8,000 | - | 19,220 |
| Total Capital Lease Assets and Capital Assets at Historical Cost | 5,772,141 | 149,272 | - | 5,921,413 |
| Less accumulated depreciation: | | | | |
| Building | 1,331,111 | 109,316 | - | 1,440,427 |
| Land and building improvements | 146,579 | 37,484 | - | 184,063 |
| Equipment | 395,510 | 61,370 | - | 456,880 |
| Furniture and fixtures | 367,198 | 42,520 | - | 409,718 |
| Total accumulated depreciation | 2,240,398 | 250,690 | - | 2,491,088 |
| Net Capital Lease Assets and Capital Assets | \$ 3,531,743 | \$ (101,418) | \$ - | \$ 3,430,325 |
| Depreciation expense was charged to governmental functions as follows - | | | | |
| Recreation and culture | | | \$ 250,690 | |

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Continued)

6. Long-Term Obligations

Changes in long-term liabilities were as follows:

| <i>Primary Government</i> | <i>Balance January 1, 2007</i> | <i>Additions</i> | <i>Reductions</i> | <i>Ending Balance December 31, 2007</i> | <i>Due Within One Year</i> |
|--|--|-------------------|---------------------|---|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds payable - | | | | | |
| General obligation debt | \$ 1,681,095 | \$ - | \$ (172,420) | \$ 1,508,675 | \$ 172,420 |
| Other liabilities - | | | | | |
| Compensated absences | 141,870 | 110,295 | (103,537) | 148,628 | 30,000 |
| Total Long-Term Liabilities - Governmental Activities | \$ 1,822,965 | \$ 110,295 | \$ (275,957) | \$ 1,657,303 | \$ 202,420 |

Long-term debt consists of building authority bonds used for renovation of the Library. The bonds were issued while the Library was still part of the City of Portage. Therefore, the bonds are in the City of Portage's name. The Library makes annual principal payments and semi-annual interest payments directly to the City of Portage for the Library's portion of the debt. There are no liens against the Library due to the bonds being in the City of Portage's name.

The bonds were originally issued for \$3,300,000, of which 86.21% is the Library's portion, or \$2,844,930. The bonds are dated June 1, 1995, with annual payments of \$129,315 to \$258,530 through July 1, 2015, and interest at 4.30% to 5.60%.

The annual requirements to pay principal and interest on long-term bonds outstanding for the Library are as follows:

| <i>Year ending December 31,</i> | <i>Governmental Activities</i> | | <i>Total</i> |
|---------------------------------|--------------------------------|-------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | |
| 2008 | \$ 172,420 | \$ 83,710 | \$ 256,130 |
| 2009 | 172,420 | 74,485 | 246,905 |
| 2010 | 172,420 | 65,089 | 237,509 |
| 2011 | 172,420 | 55,519 | 227,939 |
| 2012 | 172,420 | 45,864 | 218,284 |
| 2013-2015 | 646,575 | 77,244 | 723,819 |
| | \$ 1,508,675 | \$ 401,911 | \$ 1,910,586 |

See accompanying independent auditors' report.

Portage District Library

Notes to Financial Statements (Concluded)

7. Retirement Plan

Plan Description

The Portage District Library contributes to a Money Purchase Plan and Trust for all full-time employees. Plan participants are not required to contribute, but may contribute if they choose to do so. Plan provision and contribution requirements are established and may be amended by the Library Board. The Library is required to contribute 10% of annual covered payroll. During the year ended December 31, 2007, the Library contributed approximately \$107,000 to the plan.

8. Beneficial Interest

Generally accepted accounting principles (GAAP) established standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. GAAP specifically requires if a not-for-profit organization establishes a fund at a community foundation with its own funds and is specified as the beneficiary of that fund, the organization must account for the transfer of such assets as a beneficial interest in funds held by the community foundation. The community foundation refers to such funds as agency fund endowments.

The Library previously transferred funds to the Kalamazoo Community Foundation to be held in endowment. The Kalamazoo Community Foundation maintains variance powers and legal ownership over a portion of the Library's endowment funds and as such, continues to report those funds as assets of the Kalamazoo Community Foundation. This balance was \$38,344 at December 31, 2007. In accordance with GAAP, the Portage District Library has recorded an asset for the beneficial interest in funds held by the Kalamazoo Community Foundation of \$334.

9. Health Reimbursement Account

The Library has established a Health Reimbursement Arrangement for its employees for the purpose of reimbursing eligible employees of the Library for the cost of certain eligible medical expenses.

10. Risk Management and Benefits

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. In order to minimize its exposure to these risks, the Library purchases commercial insurance coverage. Employee health insurance is also provided by private insurance carriers. There have been no settlements in excess of the Library's insurance coverage.

See accompanying independent auditors' report.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Library Board
Portage District Library
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Portage District Library (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statement that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the board and management, and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

April 14, 2008



BDO Seidman, LLP
Accountants and Consultants

211 East Water Street, Suite 300
Kalamazoo, Michigan 49007
Telephone: (269) 382-0170
Fax: (269) 345-1666

April 14, 2008

Library Board
Portage District Library
300 Library Lane
Portage, Michigan 49002

Dear Library Board:

During the course of our audit of Portage District Library's (the Library's) financial statements for the year ended December 31, 2007, we observed the Library's significant accounting policies and procedures and certain business, financial, and administrative practices.

In planning and performing our audit, we considered Portage District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board of directors, and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Library's financial statements.

Very truly yours,

BDO Seidman, LLP

Certified Public Accountants



BDO Seidman, LLP
Accountants and Consultants

211 East Water Street, Suite 300
Kalamazoo, Michigan 49007
Telephone: (269) 382-0170
Fax: (269) 345-1666

April 14, 2008

Library Board
Portage District Library
300 Library Lane
Portage, Michigan 49002

Dear Library Board and Management:

Professional standards require us to advise you of the following matters relating to our recently completed audit of the Portage District Library (the "Library") as of and for the year ended December 31, 2007. The matters discussed herein are those that we have noted as of April 14, 2008, and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 29, 2007, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the Library's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Overview of Planned Scope and Timing of Audit

A discussion was held on January 7, 2008 at the Library with the Business Manager and the audit team regarding the planned scope and timing of the audit, the intention of which was to assist those charged with governance in understanding better consequences of our audit work on your oversight responsibilities along with assisting us in understanding better the Library and its environment. The focus of this discussion included how the risks of material misstatement, whether due to error or fraud, would be addressed and on factors, rather than specific thresholds or amounts, that would impact materiality used in our planning and execution of the audit.

Significant Findings from the Audit

Management Judgments and Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

There were no material contingencies, as defined in FASB Statement No. 5, for which we had questions or concerns about the reasonableness of the accounting or the adequacy of the financial statement disclosure.



Misstatements

Professional standards require the auditor to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Additionally, we are required to communicate with those charged with governance uncorrected misstatements and the effect that they may have on the opinion in the auditor's report, and request their correction.

During our audit, no audit adjustments or proposed adjustments were brought to the attention of management by us.

Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial, accounting, reporting, or auditing matter that could be significant to the Library's financial statements or the audit report. No such disagreements arose during the course of our audit.

Consultation with Other Accountants

There may be circumstances where the Library considers consulting with other accountants about accounting and auditing matters. We are not aware of any consultations about accounting or auditing matters between management and other accountants. We are also not aware of opinions obtained by management from other accountants on the application of generally accepted accounting principles.

Significant Issues Discussed with Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no significant accounting or other issues of concern discussed with management.

Material Alternative Accounting Treatments Discussed with Management

During the past year, there were no discussions with management concerning material alternative accounting treatments.

Significant Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered during the course of the audit. All records and information requested by BDO Seidman, LLP, were freely available for inspection. Management and other personnel provided full cooperation.

Representations Requested from Management

Refer to the management representation letter that we had provided to those charged with governance.



BDO Seidman, LLP
Accountants and Consultants

Library Board and Management
Portage District Library
April 14, 2008
Page Three

Other Issues Arising from the Audit that We Consider Significant and Relevant to Those Charged with Governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

Other Material Written Communications with Management

We have provided to those charged with governance copies of all material written communications that we prepared in connection with our annual audit.

Internal Control Matters

We have communicated, in writing, to management and those charged with governance, that we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Independence

We are not aware of any circumstances or relationships that would impair our independence.

* * *

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of those charged with governance and management of the Portage District Library and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

BDO SEIDMAN, LLP

BDO Seidman, LLP

Certified Public Accountants